

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 28, 2021

Washington Arts Collective, located at 4600 and 4601 W. Washington Boulevard and 1915 Vineyard Avenue in Los Angeles, requested and is being recommended for a reservation of \$1,516,340 in annual federal tax credits and \$2,700,000 in total state tax credits to finance the new construction of 55 units of housing serving large families and special needs tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Meta Housing Corporation and will be located in Senate District 30 and Assembly District 54.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from HCD's NPLH, IIG, and AHSC programs.

Project Number CA-21-537

Project Name Washington Arts Collective
Site Address: 4600 & 4601 W. Washington Boulevard and 1915 Vineyard Avenue
Los Angeles, CA 90016 County: Los Angeles
Census Tract: 2186.00 & 2182.10

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$1,516,340	\$2,700,000
Recommended:	\$1,516,340	\$2,700,000

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: WAC, L.P.
Contact: Chris Maffris
Address: 11150 W. Olympic Blvd., Suite 620
Los Angeles, CA 90064
Phone: (310) 575-3543
Email: cmaffris@metahousing.com

General Partner(s) or Principal Owner(s): WCH Affordable XXXIII, LLC
WAC, LLC

General Partner Type: Joint Venture

Parent Company(ies): Western Community Housing
Meta Housing Corporation

Developer: Meta Housing Corporation

Investor/Consultant: Red Stone Equity Partners

Management Agent: The John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 56
 No. / % of Low Income Units: 55 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt/HUD Section 8 Project-based Vouchers (28 units - 50%)

Bond Information

Issuer: City of Los Angeles
 Expected Date of Issuance: October 1, 2021

Information

Housing Type: Special Needs
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Ruben Barcelo

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 28	51%
50% AMI: 1	2%
60% AMI: 26	47%

Unit Mix

28 1-Bedroom Units
14 2-Bedroom Units
14 3-Bedroom Units
<u>56 Total Units</u>

<u>Unit Type & Number</u>	<u>2020 Rents Targeted % of Area Median Income</u>	<u>2020 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 1 Bedroom	30%	15%	\$309
14 1 Bedroom	30%	20%	\$422
8 1 Bedroom	30%	30%	\$633
2 1 Bedroom	60%	60%	\$1,267
1 2 Bedrooms	30%	14%	\$348
1 2 Bedrooms	50%	50%	\$1,267
12 2 Bedrooms	60%	60%	\$1,520
2 3 Bedrooms	30%	13%	\$386
12 3 Bedrooms	60%	58%	\$1,690
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,545,595
Construction Costs	\$22,051,346
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,102,567
Soft Cost Contingency	\$450,000
Relocation	\$0
Architectural/Engineering	\$1,894,180
Const. Interest, Perm. Financing	\$2,000,399
Legal Fees	\$205,000
Reserves	\$464,542
Other Costs	\$2,216,348
Developer Fee	\$4,137,730
Commercial Costs	\$0
Total	\$36,067,708

Residential

Construction Cost Per Square Foot:	\$367
Per Unit Cost:	\$644,066
True Cash Per Unit Cost*:	\$608,638

Construction Financing

Source	Amount
Pacific Western Bank Tax-Exempt	\$18,820,000
Pacific Western Bank Taxable	\$3,500,000
HCD - IIG	\$1,574,330
LACDA - NPLH	\$4,660,000
HCIDLA - HHH	\$2,097,200
Deferred Operating Reserve	\$230,042
Deferred Developer Fee & Costs	\$3,730,269
Tax Credit Equity	\$1,455,867

Permanent Financing

Source	Amount
Pacific Western Bank	\$6,091,000
HCD - IIG	\$1,574,330
HCD - AHSC	\$5,102,500
LACDA - NPLH	\$4,660,000
HCIDLA - HHH	\$2,097,200
Deferred Developer Fee	\$1,984,007
Tax Credit Equity	\$14,558,671
TOTAL	\$36,067,708

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$20,619,689
130% High Cost Adjustment:	Yes
Requested Eligible Basis:	\$11,102,909
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$37,908,505
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$1,516,340
Total State Credit:	\$2,700,000
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,137,730
Investor/Consultant:	Red Stone Equity Partners
Federal Tax Credit Factor:	\$0.81500
State Tax Credit Factor:	\$0.81500

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$31,722,598
Actual Eligible Basis:	\$31,722,598
Unadjusted Threshold Basis Limit:	\$25,096,092
Total Adjusted Threshold Basis Limit:	\$58,299,603

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages.

Local Development Impact Fees.

95% of Upper Floor Units are Elevator-Serviced.

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 1%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 100%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses meet or exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 4.00% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Significant Information / Additional Conditions

Development cost is over \$600,000 per unit. Factors driving this cost include a requirement to pay prevailing wages, the escalating cost of building materials, the project's urban infill location, and the cost of green building features incorporated into the project's design.

This application consists of five total parcels which are separated by a road. One side of the road is within a QCT, the other is not. The project's eligible basis was adjusted accordingly.

Resyndication and Resyndication Transfer Event: None.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee’s next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.